

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2008

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South Tama County Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2007 Election)		
Alan Upah	President	2007
Donald Wacha	Vice President	2008
Margaret Kubik	Board Member	2007
Jackie Dvorak	Board Member	2008
Ron Hala	Board Member	2009
Board of Education (After September 2007 Election)		
Jackie Dvorak	President	2008
Ron Hala	Vice President	2009
Michelle Yuska	Board Member	2010
Donald Wacha	Board Member	2008
Andy Bagnall	Board Member	2010
School Officials		
Larry Molacek	Superintendent (Resigned May 2008)	2008
Kerri Nazarenus	Superintendent (Appointed June 2008)	2008
Mark Fetter	District Secretary (Resigned September 2007)	2008
Kim Gardner	District Secretary (Appointed October 2007)	2008
Greg Darling	Director of Finance and Operations (Resigned May 2008)	2008
Joanna Hofer	Director of Finance and Operations (Appointed June 2008)	2008
Peter Pashler	Attorney	2008
Joel Greer	Attorney	2008

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
South Tama County Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the South Tama County Community School District, Tama, Iowa as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of South Tama County Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 13, 2009 on our consideration of South Tama County Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 33 through 34 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise South Tama County Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 8, including the accompanying Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

March 13, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

South Tama County Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$13,041,281 in fiscal 2007 to \$14,054,743 in fiscal 2008, while General Fund expenditures increased from \$13,326,858 in fiscal 2007 to \$14,260,021 in fiscal 2008. This resulted in a decrease in the District's General Fund balance from \$1,986,121 in fiscal 2007 to a balance of \$1,780,843 in fiscal 2008, a 10.34% decrease from the prior year.
- The increase in General Fund revenues was attributable to increases in local and state source revenues during fiscal 2008. The increase in expenditures was due primarily to increases in negotiated salaries and benefits.
- The District's solvency ratio (unreserved-undesignated fund balance/general fund revenues) decreased from 13.7% for fiscal year 2007 to 11.3% for fiscal year 2008. Although the District's solvency ratio decreased, it is still above the State School Budget Review Committee recommendation of a solvency ratio between 5% and 10%.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of South Tama County Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report South Tama County Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which South Tama County Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

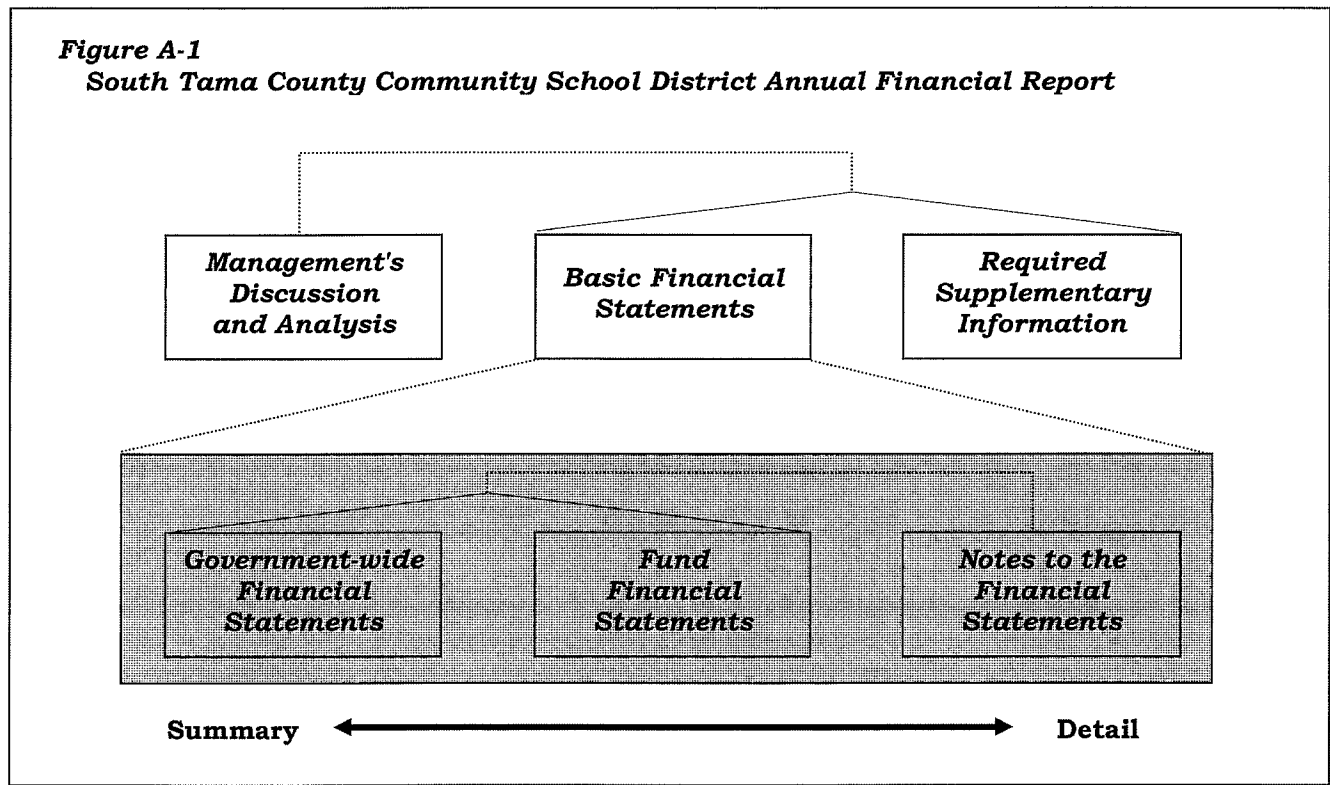


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide

financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds*: The District is a trustee, or fiduciary, for assets that belong to others. This fund is the Agency Fund.

Agency Fund - These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2008 compared to June 30, 2007.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets	\$ 9,570,950	9,258,632	39,412	68,259	9,610,362	9,326,891	3.04%
Capital assets	12,254,333	12,658,355	89,347	96,962	12,343,680	12,755,317	-3.23%
Total assets	21,825,283	21,916,987	128,759	165,221	21,954,042	22,082,208	-0.58%
Long-term obligations	8,424,364	8,886,633	0	0	8,424,364	8,886,633	-5.20%
Other liabilities	5,409,825	5,301,432	40,633	25,177	5,450,458	5,326,609	2.33%
Total liabilities	13,834,189	14,188,065	40,633	25,177	13,874,822	14,213,242	-2.38%
Net assets:							
Invested in capital assets, net of related debt	4,545,102	4,437,605	89,347	96,962	4,634,449	4,534,567	2.20%
Restricted	2,262,981	1,788,784	0	0	2,262,981	1,788,784	26.51%
Unrestricted	1,183,011	1,502,533	(1,221)	43,082	1,181,790	1,545,615	-23.54%
Total net assets	\$ 7,991,094	7,728,922	88,126	140,044	8,079,220	7,868,966	2.67%

The District's combined net assets increased by 2.67%, or \$210,254, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$474,197, or 26.51% over the prior year. The District's increase in restricted net assets can be attributed to increases in fund balance for the Capital Projects Fund and Physical Plant and Equipment Levy Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$363,825, or 23.54%. The main reason for the decrease in unrestricted net assets is the decrease in fund balance of the General Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Revenues & Transfers:							
Program revenues:							
Charges for services	\$ 603,289	496,014	296,179	265,365	899,468	761,379	18.14%
Operating grants and contributions and restricted interest	2,670,053	2,456,070	371,345	378,184	3,041,398	2,834,254	7.31%
Capital grants and contributions and restricted interest	3,000	0	0	0	3,000	0	100.00%
General revenues:							
Property tax	3,514,598	3,517,078	0	0	3,514,598	3,517,078	-0.07%
Income surtax	302,916	0	0	0	302,916	0	100.00%
Local option sales and service tax	941,685	941,163	0	0	941,685	941,163	0.06%
Unrestricted state grants	7,720,548	7,022,485	0	0	7,720,548	7,022,485	9.94%
Other	483,298	357,966	2,158	1,666	485,456	359,632	34.99%
Transfers	0	(32,109)	0	32,109	0	0	0.00%
Total revenues & transfers	16,239,387	14,758,667	669,682	677,324	16,909,069	15,435,991	9.54%
Program expenses:							
Governmental activities:							
Instruction	10,219,823	8,885,308	0	0	10,219,823	8,885,308	15.02%
Support services	4,284,675	4,115,592	0	0	4,284,675	4,115,592	4.11%
Non-instructional programs	0	0	721,600	687,454	721,600	687,454	4.97%
Other expenses	1,472,717	1,148,974	0	0	1,472,717	1,148,974	28.18%
Total expenses	15,977,215	14,149,874	721,600	687,454	16,698,815	14,837,328	12.55%
Change in net assets	262,172	608,793	(51,918)	(10,130)	210,254	598,663	-64.88%
Net assets beginning of year	7,728,922	7,120,129	140,044	150,174	7,868,966	7,270,303	8.23%
Net assets end of year	\$ 7,991,094	7,728,922	88,126	140,044	8,079,220	7,868,966	2.67%

In fiscal 2007, local tax (property tax, income surtax and local option sales and services tax) and unrestricted state grants account for 76.85% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.68% of the revenue from business type activities.

The District's total revenues were approximately \$16.91 million of which \$16.24 million was for governmental activities and \$0.67 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 9.54% increase in revenues and a 12.55% increase in expenses. The increase in revenues is related to increases in local and state source revenues during 2008. The increase in expenses related to increases in the negotiated salary and benefits.

Governmental Activities

Revenues for governmental activities were \$16,239,387 and expenses were \$15,977,215.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 10,219,823	8,885,308	15.02%	7,566,840	6,463,207	17.08%
Support services	4,284,675	4,115,592	4.11%	4,241,964	4,113,640	3.12%
Other expenses	1,472,717	1,148,974	28.18%	892,069	620,943	-43.66%
Totals	\$ 15,977,215	14,149,874	12.91%	12,700,873	11,197,790	13.42%

- The cost financed by users of the District's programs was \$603,289.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,673,053.
- The net cost of governmental activities was financed with \$3,514,598 in property tax, \$302,916 in income surtax, \$941,685 in local option sales and services tax, \$7,720,548 in unrestricted state grants and \$473,940 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$669,682 and expenses were \$721,600. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the South Tama County Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$3,922,292, compared to last year's ending fund balances of \$3,720,311. The increase in overall fund balance is mainly due to the increase in fund balance for the Capital Projects Fund and Physical Plant and Equipment Levy Fund.

Governmental Fund Highlights

- The District's declining General Fund financial position is the product of many factors:
 - Increase in state aid grants and local sources during the year resulted in an increase in revenues.
 - The increase in expenditures was due to increases in the negotiated salary and benefits.
 - The increase in expenditures was greater than the increase in revenues thus ensuring the decline to the General Fund.
- The Capital Projects Fund balance increased from \$1,159,660 in fiscal 2007 to \$1,588,543 in fiscal 2008. This was due to construction projects being nearly completed in the previous year and limited spending in the fund during fiscal 2008.

Proprietary Fund Highlights

The Proprietary Fund net assets decreased from \$140,044 at June 30, 2007 to \$88,126 at June 30, 2008, representing a decrease of 37.07%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$397,153 more than budgeted revenues, a variance of 2.41%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$12,343,680, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 3.23% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$544,696.

The original cost of the District's capital assets was \$17,430,347. Governmental funds account for \$17,192,094 with the remainder of \$238,253 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$709,098 at June 30, 2007, compared to \$577,298 reported at June 30, 2008. This decrease resulted from depreciation expense as well as the disposal of equipment during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 315,400	315,400	0	0	315,400	315,400	0.00%
Buildings	11,270,265	11,536,195	0	0	11,270,265	11,536,195	-2.31%
Improvements other than buildings	180,717	194,624	0	0	180,717	194,624	-7.15%
Machinery and equipment	487,951	612,136	89,347	96,962	577,298	709,098	-18.59%
Total	\$ 12,254,333	12,658,355	89,347	96,962	12,343,680	12,755,317	-3.23%

Long-Term Debt

At June 30, 2008, the District had \$8,424,364 in general obligation and other long-term debt outstanding. This represents a decrease of 5.2% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had outstanding general obligation bonds of \$8,010,000 at June 30, 2008.

The District had compensated absences at June 30, 2008 of \$20,068.

The District had total outstanding Early Retirement payable from the Special Revenue, Management Levy Fund of \$394,296 at June 30, 2008.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2008	2007	2007-08
General obligation bonds	\$ 8,010,000	8,355,000	-4.1%
Compensated absences	20,068	79,716	-74.8%
Early retirement	394,296	451,917	-12.8%
Totals	\$ 8,424,364	8,886,633	-5.2%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Impact aid funding remains a concern as politicians in Washington continue to push for budget deficit reductions.
- The state's economy is showing limited signs of economic recovery. A weaker economy adversely impacts the amount of new general fund money available to the District. Also continued budget concerns at state level will affect future projections. The District will continue to be forced to shift funding to property taxes.

-
- On July 1, 2007 IPERS implemented an employers' contribution increase over a 4-year period. The employers' portion of IPERS increased from 5.75% to 6.05% on July 1, 2007, and will increase to 6.35% on July 1, 2008, to 6.65% on July 1, 2009 and finally to 6.95% on July 1, 2010. This will increase the South Tama County Community Schools employer benefit costs over the next four years.
 - Enrollment in the South Tama Community School District has declined from 1672.5 reported on Line 7 of the District's 2006 certified enrollment to 1648.4 reported on the same line on the District's 2007 certified enrollment. It is anticipated that enrollment will exhibit a slight downward trend over the next several years. It is anticipated that the District will lose enrollment because the Sac and Fox Indian Tribe will be opening a new high school during 2008.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Joanna Hofer, Director of Finance and Operations, South Tama County Community School District, 1702 Harding St., Tama, Iowa, 52339.

BASIC FINANCIAL STATEMENTS

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 4,778,561	10,118	4,788,679
Receivables:			
Property tax:			
Delinquent	112,861	0	112,861
Succeeding year	3,704,237	0	3,704,237
Income surtax	293,144	0	293,144
Accounts	14,101	2,736	16,837
Due from other governments	668,046	905	668,951
Inventories	0	25,653	25,653
Capital assets, net of accumulated depreciation (Note 4)	12,254,333	89,347	12,343,680
Total Assets	21,825,283	128,759	21,954,042
Liabilities			
Accounts payable	163,818	1,379	165,197
Salaries and benefits payable	1,487,142	31,089	1,518,231
Accrued interest payable	54,311	0	54,311
Deferred revenue:			
Succeeding year property tax	3,704,237	0	3,704,237
Other	317	0	317
Unearned revenue	0	8,165	8,165
Long-term liabilities (Note 5):			
Portion due within one year:			
General obligation bonds payable	360,000	0	360,000
Compensated absences	20,068	0	20,068
Early retirement payable	150,266	0	150,266
Portion due after one year:			
General obligation bonds payable	7,650,000	0	7,650,000
Early retirement payable	244,030	0	244,030
Total Liabilities	13,834,189	40,633	13,874,822
Net Assets			
Invested in capital assets, net of related debt	4,545,102	89,347	4,634,449
Restricted for:			
Talented and gifted	3,710	0	3,710
Beginning teacher mentoring	1,339	0	1,339
Salary improvement program	8,298	0	8,298
Additional teacher contract day	3,429	0	3,429
Beginning administrator mentoring	1,500	0	1,500
Phase II	5,569	0	5,569
Early intervention	94,629	0	94,629
State decategorization grant	8,597	0	8,597
Professional development	52,256	0	52,256
Market factor incentives	11,650	0	11,650
Physical plant and equipment levy	650,817	0	650,817
Capital projects	1,287,774	0	1,287,774
Other special revenue purposes	133,413	0	133,413
Unrestricted	1,183,011	(1,221)	1,181,790
Total Net Assets	\$ 7,991,094	88,126	8,079,220

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Charges for Expenses	Operating Services	Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular instruction	\$ 6,285,294	179,856	2,002,781	0	(4,102,657)	0	(4,102,657)
Special instruction	2,111,149	26,540	89,624	0	(1,994,985)	0	(1,994,985)
Other instruction	1,823,380	354,182	0	0	(1,469,198)	0	(1,469,198)
	10,219,823	560,578	2,092,405	0	(7,566,840)	0	(7,566,840)
Support services:							
Student services	285,627	0	0	0	(285,627)	0	(285,627)
Instructional staff services	367,116	0	0	0	(367,116)	0	(367,116)
Administration services	1,892,894	0	0	0	(1,892,894)	0	(1,892,894)
Operation and maintenance of plant services	1,120,068	0	0	0	(1,120,068)	0	(1,120,068)
Transportation services	618,970	42,711	0	0	(576,259)	0	(576,259)
	4,284,675	42,711	0	0	(4,241,964)	0	(4,241,964)
Other expenditures:							
Facilities and acquisitions	281,796	0	0	3,000	(278,796)	0	(278,796)
Long-term debt interest	333,436	0	0	0	(333,436)	0	(333,436)
AEA flowthrough	577,648	0	577,648	0	0	0	0
Depreciation(unallocated)*	279,837	0	0	0	(279,837)	0	(279,837)
	1,472,717	0	577,648	3,000	(892,069)	0	(892,069)
Total governmental activities	15,977,215	603,289	2,670,053	3,000	(12,700,873)	0	(12,700,873)
Business-Type activities:							
Non-instructional programs:							
Nutrition services	721,600	296,179	371,345	0	0	(54,076)	(54,076)
Total	\$ 16,698,815	899,468	3,041,398	3,000	(12,700,873)	(54,076)	(12,754,949)
General Revenues:							
Property tax levied for:							
General purposes					\$ 3,445,883	0	3,445,883
Capital outlay					68,715	0	68,715
Income surtax					302,916	0	302,916
Local option sales and services tax					941,685	0	941,685
Unrestricted state grants					7,720,548	0	7,720,548
Unrestricted investment earnings					473,940	2,158	476,098
Gain on sale of equipment					2,563	0	2,563
Other					6,795	0	6,795
Total general revenues					12,963,045	2,158	12,965,203
Changes in net assets					262,172	(51,918)	210,254
Net assets beginning of year					7,728,922	140,044	7,868,966
Net assets end of year					\$ 7,991,094	88,126	8,079,220

* This amount excludes the depreciation that is included in the direct expense of various programs

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	Other Nonmajor			
	Capital	Governmental		
	General	Projects	Funds	Total
Assets				
Cash and pooled investments	\$ 3,100,032	1,133,516	545,013	4,778,561
Receivables:				
Property tax:				
Delinquent	102,786	0	10,075	112,861
Succeeding year	3,375,904	0	328,333	3,704,237
Income surtax	0	0	293,144	293,144
Accounts	500	0	13,601	14,101
Due from other governments	210,977	455,027	2,042	668,046
Total Assets	\$ 6,790,199	1,588,543	1,192,208	9,570,950
Liabilities and Fund Balance				
Liabilities:				
Accounts payable	\$ 145,993	0	17,825	163,818
Salaries and benefits payable	1,487,142	0	0	1,487,142
Deferred revenue:				
Succeeding year property tax	3,375,904	0	328,333	3,704,237
Income surtax	0	0	293,144	293,144
Other	317	0	0	317
Total liabilities	5,009,356	0	639,302	5,648,658
Fund balances:				
Reserved for:				
Construction	0	300,769	0	300,769
Talented and gifted	3,710	0	0	3,710
Beginning teacher mentoring	1,339	0	0	1,339
Salary improvement program	8,298	0	0	8,298
Additional teacher contract day	3,429	0	0	3,429
Beginning administrator mentoring	1,500	0	0	1,500
Phase II	5,569	0	0	5,569
Early intervention	94,629	0	0	94,629
State decategorization grant	8,597	0	0	8,597
Professional development	52,256	0	0	52,256
Market factor incentives	11,650	0	0	11,650
Unreserved	1,589,866	1,287,774	552,906	3,430,546
Total fund balances	1,780,843	1,588,543	552,906	3,922,292
Total Liabilities and Fund Balance	\$ 6,790,199	1,588,543	1,192,208	9,570,950

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2008

Total fund balances of governmental funds (page 16) \$ 3,922,292

*Amounts reported for governmental activities in the
 statement of net assets are different because:*

Capital assets used in governmental activities are not
 financial resources and, therefore, are not reported as
 assets in the governmental funds. 12,254,333

Accounts receivable income surtax, are not yet available
 to finance expenditures of the current period. 293,144

Accrued interest payable on long-term liabilities is not
 due and payable in the current period and, therefore, is
 not reported as a liability in the governmental funds. (54,311)

Long-term liabilities, including general obligation bonds,
 early retirement and compensated absences, are not due and
 payable in the current period and, therefore, are not
 reported as liabilities in the governmental funds. (8,424,364)

Net assets of governmental activities (page 14) \$ 7,991,094

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 3,200,856	941,685	616,658	4,759,199
Tuition	171,241	0	0	171,241
Other	288,322	259,509	367,952	915,783
State sources	9,187,177	0	277	9,187,454
Federal sources	1,203,147	0	0	1,203,147
Total revenues	14,050,743	1,201,194	984,887	16,236,824
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	6,211,111	0	0	6,211,111
Special instruction	2,111,149	0	0	2,111,149
Other instruction	1,481,124	0	342,256	1,823,380
	9,803,384	0	342,256	10,145,640
Support services:				
Student services	285,627	0	0	285,627
Instructional staff services	297,047	0	55,085	352,132
Administration services	1,704,675	0	244,298	1,948,973
Operation and maintenance of plant services	1,023,395	0	158,917	1,182,312
Transportation services	568,245	0	16,090	584,335
	3,878,989	0	474,390	4,353,379
Other expenditures:				
Facilities acquisitions	0	91,931	189,865	281,796
Long-term debt:				
Principal	0	0	345,000	345,000
Interest	0	0	335,380	335,380
AEA flowthrough	577,648	0	0	577,648
	577,648	91,931	870,245	1,539,824
Total expenditures	14,260,021	91,931	1,686,891	16,038,843
Excess(deficiency) of revenues over(under) expenditures	(209,278)	1,109,263	(702,004)	197,981
Other financing sources(uses):				
Transfers in	0	0	680,380	680,380
Transfers out	0	(680,380)	0	(680,380)
Sale of equipment	4,000	0	0	4,000
Total other financing sources(uses)	4,000	(680,380)	680,380	4,000
Net change in fund balances	(205,278)	428,883	(21,624)	201,981
Fund balance beginning of year	1,986,121	1,159,660	574,530	3,720,311
Fund balance end of year	\$ 1,780,843	1,588,543	552,906	3,922,292

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2008

Net change in fund balances - total governmental funds (page 18) \$ 201,981

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays, depreciation expense and loss on asset disposal are as follows:

Capital outlays	\$ 130,170	
Depreciation expense	(532,755)	
Loss on asset disposal	<u>(1,437)</u>	(404,022)

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 345,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 1,944

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early Retirement	\$ 57,621	
Compensated Absences	<u>59,648</u>	<u>117,269</u>

Changes in net assets of governmental activities (page 15) \$ 262,172

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2008

	<u>School Nutrition</u>
Assets	
Cash and pooled investments	\$ 10,118
Accounts receivable	2,736
Due from other governments	905
Inventories	25,653
Capital assets, net of accumulated depreciation (Note 4)	<u>89,347</u>
Total Assets	<u>128,759</u>
Liabilities	
Accounts payable	1,379
Salaries and benefits payable	31,089
Unearned revenue	<u>8,165</u>
Total Liabilities	<u>40,633</u>
Net Assets	
Invested in capital assets	89,347
Unrestricted	<u>(1,221)</u>
Total Net Assets	<u><u>\$ 88,126</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008

	<u>School Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for services	<u>\$ 296,179</u>
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	312,881
Benefits	43,464
Services	8,063
Supplies	345,251
Depreciation	11,941
TOTAL OPERATING EXPENSES	<u>721,600</u>
OPERATING LOSS	<u>(425,421)</u>
NON-OPERATING REVENUES:	
State sources	8,325
Federal sources	363,020
Interest on investments	2,158
TOTAL NON-OPERATING REVENUES	<u>373,503</u>
Changes in net assets	(51,918)
Net assets beginning of year	<u>140,044</u>
Net assets end of year	<u><u>\$ 88,126</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 295,649
Cash received from miscellaneous	287
Cash payments to employees for services	(343,657)
Cash payments to suppliers for goods or services	(318,414)
Net cash used in operating activities	<u>(366,135)</u>
Cash flows from non-capital financing activities:	
State grants received	8,325
Federal grants received	324,169
Net cash provided by non-capital financing activities:	<u>332,494</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	<u>(4,326)</u>
Cash flows from investing activities:	
Interest on investments	<u>2,158</u>
Net decrease in cash and cash equivalents	(35,809)
Cash and cash equivalents at beginning of year	<u>45,927</u>
Cash and cash equivalents at end of year	<u>\$ 10,118</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (425,421)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	37,946
Depreciation	11,941
Increase in inventories	(4,425)
Increase in accounts receivable	(1,632)
Increase in accounts payable	1,379
Increase in salaries and benefits payable	12,688
Increase in unearned revenue	1,389
Net cash used in operating activities	<u>\$ (366,135)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u>\$ 10,118</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2008, the District received
Federal commodities valued at \$37,946.

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2008

	<u>Agency</u>
Assets	
Cash and pooled investments	<u>\$ 35,460</u>
Liabilities	
Due to other groups	<u>\$ 35,460</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

(1) **Summary of Significant Accounting Policies**

The South Tama County Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Tama, Toledo, Chelsea, Montour, and Vining, Iowa, and the predominate agricultural territory in Tama and Poweshiek Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, South Tama County Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The South Tama County Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Tama and Poweshiek Counties Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District's proprietary fund is the School Nutrition Fund. The Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary fund includes the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Land improvements	2,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	10-50 years
Machinery and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related expenditures with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

Compensated absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2008. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2008 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint

investment trusts; and warrants or improvement certificates of a drainage district. At June 30, 2008, the District had no investments.

(3) Transfers

The detail of transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 680,380

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Capital Projects Fund transferred to the Debt Service Fund to pay principal and interest on general obligation bonds.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 315,400	0	0	315,400
Total capital assets not being depreciated	315,400	0	0	315,400
Capital assets being depreciated:				
Buildings	13,557,981	0	24,500	13,533,481
Land improvements	278,149	0	0	278,149
Machinery and equipment	2,992,154	130,170	57,260	3,065,064
Total capital assets being depreciated	16,828,284	130,170	81,760	16,876,694
Less accumulated depreciation for:				
Buildings	2,021,786	265,930	24,500	2,263,216
Land improvements	83,525	13,907	0	97,432
Machinery and equipment	2,380,018	252,918	55,823	2,577,113
Total accumulated depreciation	4,485,329	532,755	80,323	4,937,761
Total capital assets being depreciated, net	12,342,955	(402,585)	1,437	11,938,933
Governmental activities capital assets, net	\$ 12,658,355	(402,585)	1,437	12,254,333

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 233,927	4,326	0	238,253
Less accumulated depreciation	136,965	11,941	0	148,906
Business-type activities capital assets, net	\$ 96,962	(7,615)	0	89,347

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular \$ 133,994

Support services:

Instructional staff 40,582

Administration 9,547

Operation and maintenance of plant 22,265

Transportation 46,530

252,918

Unallocated depreciation 279,837

Total governmental activities depreciation expense \$ 532,755

Business-type activities:

Food services \$ 11,941

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 8,355,000	0	345,000	8,010,000	360,000
Compensated absences	79,716	20,068	79,716	20,068	20,068
Early retirement	451,917	77,960	135,581	394,296	150,266
Total	\$ 8,886,633	98,028	560,297	8,424,364	530,334

Bonds Payable

Details of the District's June 30, 2008 general obligation bonds are as follows:

Year Ending June 30,	Bond issue dated December 1, 2004			
	Interest Rates	Principal	Interest	Total
2009	3.75-4.25 %	\$ 360,000	322,492	682,492
2010	4.25	375,000	307,536	682,536
2011	4.25	390,000	291,386	681,386
2012	4.25	405,000	274,705	679,705
2013	4.25	425,000	257,280	682,280
2014	4.00-3.55	440,000	239,280	679,280
2015	3.55-3.65	460,000	222,987	682,987
2016	3.65-3.75	480,000	206,130	686,130
2017	3.75-3.85	500,000	188,062	688,062
2018	3.85-4.00	520,000	168,745	688,745
2019	4.00-4.05	545,000	147,940	692,940
2020	4.05-4.15	565,000	125,732	690,732
2021	4.15-4.20	595,000	102,114	697,114
2022	4.20-4.25	620,000	76,882	696,882
2023	4.25-4.30	650,000	50,291	700,291
2024	4.30-4.35	680,000	22,100	702,100
Total		\$ 8,010,000	3,003,662	11,013,662

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must have completed six years of continuous service to the South Tama School District and fifteen years of total service to the education field. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to a percent of the employee's base salary calculated by using the current year regular salary schedule, less any other additional pay and subject to a maximum dollar amount of \$6,500 per individual. Early retirement benefits paid during the year ended June 30, 2008, totaled \$135,581. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund early retirement.

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual covered salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$574,713, \$509,278, and \$513,469 respectively, equal to the required contributions for each year.

(7) Risk Management

South Tama County Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$577,648 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(9) Deficit Unrestricted Net Assets/Fund Balance

The Enterprise, School Nutrition Fund had a deficit unrestricted net asset balance of \$1,221 at June 30, 2008.

REQUIRED SUPPLEMENTARY INFORMATION

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2008

	Governmental	Proprietary		Budgeted Amounts		Final to
	Funds	Fund	Total	Original	Final	Actual
	Actual	Actual	Actual			Variance
Revenues:						
Local sources	\$ 5,846,223	298,337	6,144,560	5,711,179	5,711,179	433,381
Intermediate sources	0	0	0	15,272	15,272	(15,272)
State sources	9,187,454	8,325	9,195,779	9,235,987	9,235,987	(40,208)
Federal sources	1,203,147	363,020	1,566,167	1,546,915	1,546,915	19,252
Total revenues	16,236,824	669,682	16,906,506	16,509,353	16,509,353	397,153
Expenditures:						
Instruction	10,145,640	0	10,145,640	10,166,400	10,166,400	20,760
Support services	4,353,379	0	4,353,379	4,601,040	4,601,040	247,661
Non-instructional programs	0	721,600	721,600	815,000	815,000	93,400
Other expenditures	1,539,824	0	1,539,824	2,278,139	2,278,139	738,315
Total expenditures	16,038,843	721,600	16,760,443	17,860,579	17,860,579	1,100,136
Excess(Deficiency) of revenues over(under) expenditures	197,981	(51,918)	146,063	(1,351,226)	(1,351,226)	1,497,289
Other financing sources, net	4,000	0	4,000	0	0	4,000
Excess(Deficiency) of revenues and other financing sources over(under) expenditures	201,981	(51,918)	150,063	(1,351,226)	(1,351,226)	1,501,289
Balance beginning of year	3,720,311	140,044	3,860,355	5,090,621	5,090,621	(1,230,266)
Balance end of year	\$ 3,922,292	88,126	4,010,418	3,739,395	3,739,395	271,023

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

OTHER SUPPLEMENTARY INFORMATION

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2008

	Special Revenue Funds			
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds
Assets				
Cash and pooled investments	\$ 56,079	118,647	370,287	545,013
Receivables:				
Property tax:				
Current year delinquent	7,869	0	2,206	10,075
Succeeding year	245,000	0	83,333	328,333
Income surtax	0	0	293,144	293,144
Accounts	0	13,601	0	13,601
Due from other governments	0	2,042	0	2,042
Total Assets	\$ 308,948	134,290	748,970	1,192,208
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 2,128	877	14,820	17,825
Deferred revenue:				
Succeeding year property tax	245,000	0	83,333	328,333
Income surtax	0	0	293,144	293,144
Total liabilities	247,128	877	391,297	639,302
Unreserved fund balances	61,820	133,413	357,673	552,906
Total Liabilities and Fund Balances	\$ 308,948	134,290	748,970	1,192,208

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2008

	Special Revenue Funds					Total
	Manage-	Student	Physical	Total	Debt	Other
	ment	Activity	Plant and	Special	Service	Nonmajor
	Levy		Equipment	Revenue		Governmental
			Levy	Funds		Funds
REVENUES:						
Local sources:						
Local tax	\$ 245,027	0	371,631	616,658	0	616,658
Other	0	354,182	13,770	367,952	0	367,952
State sources	216	0	61	277	0	277
TOTAL REVENUES	245,243	354,182	385,462	984,887	0	984,887
EXPENDITURES:						
Current:						
Instruction:						
Other instruction	0	342,256	0	342,256	0	342,256
Support services:						
Instructional staff services	0	0	55,085	55,085	0	55,085
Administration services	244,298	0	0	244,298	0	244,298
Operation and maintenance						
of plant services	65,840	0	93,077	158,917	0	158,917
Student transportation	16,090	0	0	16,090	0	16,090
Other expenditures:						
Facilities acquisitions	0	0	189,865	189,865	0	189,865
Long-term debt:						
Principal	0	0	0	0	345,000	345,000
Interest	0	0	0	0	335,380	335,380
TOTAL EXPENDITURES	326,228	342,256	338,027	1,006,511	680,380	1,686,891
Excess(Deficiency) of revenues						
over(under) expenditures	(80,985)	11,926	47,435	(21,624)	(680,380)	(702,004)
Other financing sources:						
Transfers in	0	0	0	0	680,380	680,380
Net change in fund balance	(80,985)	11,926	47,435	(21,624)	0	(21,624)
Fund balance beginning of year	142,805	121,487	310,238	574,530	0	574,530
Fund balance end of year	\$ 61,820	133,413	357,673	552,906	0	552,906

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Cross Country	\$ 750	902	988	664
Boys Basketball	3,860	8,270	6,780	5,350
Football	4,403	63,095	46,859	20,639
Special Fundraising	66	0	0	66
Boys Soccer	1,950	3,727	3,199	2,478
Girls Soccer	1,730	2,199	2,574	1,355
Baseball	5,755	17,835	21,312	2,278
Boys Golf	415	1,878	1,793	500
Girls Golf	590	1,139	1,229	500
Golf Fundraising	447	0	0	447
Wrestling	3,932	17,843	19,069	2,706
Girls Basketball	3,600	5,107	6,563	2,144
Fitness Girls BB	941	0	733	208
Volleyball	1,532	5,166	3,876	2,822
Softball	2,908	14,905	14,813	3,000
Boys Track	5,776	7,860	11,636	2,000
Girls Track	2,132	6,490	7,622	1,000
Boys Tennis	500	72	222	350
Girls Tennis	500	629	242	887
Chelsea Activity	274	379	653	0
Chelsea Assembly	908	0	908	0
Elementary Activity	8,724	12,835	15,102	6,457
Elementary Assembly	3,836	764	3,483	1,117
Elementary Red Ribbon	0	190	0	190
MS Activities	1,940	668	207	2,401
MS Assembly	3,148	713	12	3,849
MS Athletics	4,178	9,373	8,874	4,677
MS Concessions	526	0	0	526
MS Band	597	1,559	2,156	0
MS Vocal	549	119	0	668
PE Club MS	4	0	0	4
MS Student Council	1,420	5,140	4,990	1,570
MS Magazine Sales	5,787	27,715	27,031	6,471
MS Special Ed Activity	6,656	665	1	7,320
MS Fundraising	856	1,786	1,512	1,130
HS Activities	107	88	195	0
HS Athletic-Activity	0	3,577	3,299	278
SBYS Activities	222	0	0	222
Diversity Account	1,193	15	0	1,208
HS Drill Team	4,674	564	1,435	3,803
Technology Club	410	0	0	410

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
A F S	550	0	0	550
Annual	9,104	9,815	10,286	8,633
Art Activities	630	150	0	780
Art Club	806	6	133	679
Cheerleaders	2,661	5,002	5,823	1,840
ALM Club	384	868	187	1,065
HS Class Activity	307	0	0	307
Class of 2007	355	0	0	355
Class of 2008	13	2,199	415	1,797
Class of 2009	200	27	27	200
Class of 2010	150	0	43	107
HS Concessions	1,000	34,233	31,233	4,000
Drama Club	1,586	4,638	4,730	1,494
Environmental Science	0	5,501	2,964	2,537
FCA Club	54	0	0	54
FFA Club	692	12,804	13,054	442
National Honor Society	126	143	169	100
HS Band	0	3,410	3,410	0
Harding Street	0	1,311	676	635
Musical	3,969	1,534	3,242	2,261
HS Vocal	1,745	891	434	2,202
Music Dept Cards	1,288	0	0	1,288
HS PE Club	230	45	0	275
Plays	1,732	2,077	1,519	2,290
Pop, Athletics	0	261	261	0
Pop, HS Student	0	18,738	18,646	92
Soda Club	222	0	0	222
Spanish Club	10	0	6	4
Speech Activities	0	3,536	3,536	0
Speech Club	76	576	50	602
HS Special Ed	526	0	0	526
HS Student Council	561	7,551	7,702	410
HS Vending	0	4,477	4,477	0
Volleyball Club	2,041	240	379	1,902
HS Prom Account	1,500	4,213	4,213	1,500
HS Music Madrigals	106	0	0	106
Blue Crew	0	2,582	1,770	812
FCCLA Club - Fams & Cons Science	137	0	0	137
Industrial Tech Club	70	0	0	70
Vending Dairy Products	420	1,056	726	750
HS Color Guard	440	951	697	694
Athletic Tickets	0	2,080	2,080	0
Total	\$ 121,487	354,182	342,256	133,413

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET FOR CAPITAL PROJECT FUND
JUNE 30, 2008

	Capital Projects Fund		
	Building Projects	Local Option Sales Tax	Total
ASSETS			
Cash and pooled investments	\$ 300,769	832,747	1,133,516
Receivables:			
Due from other governments	0	455,027	455,027
TOTAL ASSETS	\$ 300,769	1,287,774	1,588,543
LIABILITIES AND FUND BALANCES			
TOTAL LIABILITIES	\$ 0	0	0
Fund balances:			
Reserved for construction	300,769	0	300,769
Unreserved fund balance	0	1,287,774	1,287,774
Total fund balances	300,769	1,287,774	1,588,543
TOTAL LIABILITIES AND FUND BALANCES	\$ 300,769	1,287,774	1,588,543

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 CAPITAL PROJECT FUND
 YEAR ENDED JUNE 30, 2008

	Capital Project Fund		
	Building Projects	Local Option Sales Tax	Total
REVENUES:			
Local sources:			
Local option sales and service tax	\$ 0	941,685	941,685
Interest on investments	258,450	1,059	259,509
TOTAL REVENUES	258,450	942,744	1,201,194
EXPENDITURES:			
Current:			
Other expenditures:			
Facilities acquisitions	91,931	0	91,931
Excess of revenues over expenditures	166,519	942,744	1,109,263
Other financing uses:			
Transfer out to debt service	0	(680,380)	(680,380)
Net change in fund balance	166,519	262,364	428,883
Fund balance beginning of year	134,250	1,025,410	1,159,660
Fund balances end of year	\$ 300,769	1,287,774	1,588,543

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 JUNE 30, 2008

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and pooled investments	\$ 29,518	66,027	60,085	35,460
Due from other groups	500	0	500	0
Total assets	<u>\$ 30,018</u>	<u>66,027</u>	<u>60,585</u>	<u>35,460</u>
Liabilities				
Accounts payable	\$ 1,000	0	1,000	0
Due to other groups	29,018	66,027	59,585	35,460
Total liabilities	<u>\$ 30,018</u>	<u>66,027</u>	<u>60,585</u>	<u>35,460</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FIVE YEARS

	Modified Accrual Basis				
	Years Ended June 30,				
	2008	2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$ 4,759,199	4,442,371	4,469,659	4,122,921	3,633,127
Tuition	171,241	139,472	152,363	132,301	126,783
Other	915,783	708,657	660,114	730,825	593,641
Intermediate sources	0	2,000	5,895	1,530	1,825
State sources	9,187,454	8,255,004	8,113,530	7,803,209	6,952,980
Federal sources	1,203,147	1,221,073	1,646,920	1,389,011	1,246,690
Total	<u>\$ 16,236,824</u>	<u>14,768,577</u>	<u>15,048,481</u>	<u>14,179,797</u>	<u>12,555,046</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ 6,211,111	5,669,803	5,346,409	5,169,553	5,222,259
Special instruction	2,111,149	1,919,218	2,644,628	2,510,195	2,402,292
Other instruction	1,823,380	1,710,503	993,609	1,090,402	884,448
Support services:					
Student services	285,627	218,513	287,237	230,147	307,912
Instructional staff services	352,132	299,096	356,873	197,301	184,627
Administration services	1,948,973	1,890,429	1,871,832	2,022,185	1,540,421
Operation and maintenance of plant services	1,182,312	1,335,823	1,222,974	1,049,550	982,246
Transportation services	584,335	574,556	644,149	465,085	491,554
Central services	0	0	0	0	7,533
Other expenditures:					
Facilities acquisitions	281,796	1,260,095	8,222,543	687,194	75,135
Long-term debt:					
Principal	345,000	330,000	315,000	0	0
Interest	335,380	345,355	354,317	148,869	0
AEA flow-through	577,648	528,031	512,470	499,369	472,195
Total	<u>\$ 16,038,843</u>	<u>16,081,422</u>	<u>22,772,041</u>	<u>14,069,850</u>	<u>12,570,622</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
DIRECT:			
DEPARTMENT OF EDUCATION:			
IMPACT AID GRANT	84.041	FY 08	\$ 540,416
DEPARTMENT OF THE INTERIOR:			
INDIAN EDUCATION - ASSISTANCE TO SCHOOLS	15.130	FY 08	57,618
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 08	60,748
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 08	302,272 *
			363,020
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I (SINA - SCHOOLS IN NEED OF ASSISTANCE)	84.010	FY 08	72,182
TITLE I GRANTS TO LOCAL EDUCA- TIONAL AGENCIES	84.010	FY 08	252,050
TITLE I GRANTS TO LOCAL EDUCA- TIONAL AGENCIES	84.010	1503-GC	19,798
			344,030
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES STATE GRANTS	84.186	FY 08	6,486
INNOVATIVE EDUCATION PROGRAM STRATEGIES (TITLE V PROGRAM)	84.298	FY 08	2,885
PARENTAL ASSISTANCE CENTERS	84.310	FY 08	2,000
ADVANCED PLACEMENT PROGRAM	84.330	FY 08	53
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 08	74,980
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 08	10,589
READING FIRST STATE GRANT	84.357	FY 07	38,196

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES(PART B)	84.027	FY 08	<u>89,624</u>
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 08	<u>18,617</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
COMPREHENSIVE SCHOOL HEALTH PROGRAMS TO PREVENT THE SPREAD OF HIV AND OTHER IMPORTANT HEALTH PROBLEMS	93.938	FY 08	<u>525</u>
TOTAL			<u>\$ 1,549,039</u>

* Includes \$37,946 of non-cash awards.

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the South Tama County Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3050
Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of the
South Tama County Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of South Tama County Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 13, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered South Tama County Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of South Tama County Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of South Tama County Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects South Tama County Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of South Tama County Community School District's financial statements that is more than inconsequential will not be prevented or detected by South Tama County Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by South Tama County Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A-08 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether South Tama County Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

South Tama County Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit South Tama County Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of South Tama County Community School District and other parties to whom South Tama County Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of South Tama County Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Nolte, Cornman & Johnson

NOLTE, CORNMAN & JOHNSON, P.C.

March 13, 2009

NOLTE, CORNMAN & JOHNSON P.C.
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Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Board of Education of
South Tama County Community School District

Compliance

We have audited the compliance of South Tama County Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. South Tama County Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of South Tama County Community School District's management. Our responsibility is to express an opinion on South Tama County Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about South Tama County Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on South Tama County Community School District's compliance with those requirements.

In our opinion, South Tama County Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of South Tama County Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered South Tama County Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of South Tama County Community School District's internal control over compliance.

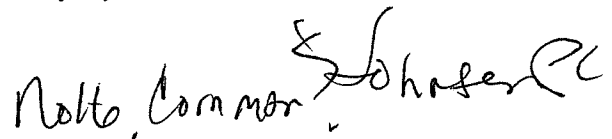
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-08 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-08 to be a material weakness.

South Tama County Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we expressed our conclusions on the District's responses, we did not audit South Tama County Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of South Tama County Community School District and other parties to whom South Tama County Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Nolte, Cornman & Johnson, P.C.", with a stylized flourish at the end.

NOLTE, CORNMAN & JOHNSON, P.C.

March 13, 2009

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency in internal control over major programs were disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
 - Individual
 - CFDA Number 84.041 – Impact Aid Grant
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) South Tama County Community School District did not qualify as a low-risk auditee.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COST
YEAR ENDED JUNE 30, 2008

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

II-A-08 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

II-B-08 Board Policies - We noted during our audit the District's board policy book appears to have not been kept up to date. All board policies should be reviewed every five years and documented when approved and reviewed.

Recommendation - The District should review the board policy book and update all policies that have not been updated within the past five years. The District should take steps to review board policies in a more timely manner.

Response - The District will implement procedures to review and update board policies in a timelier manner.

Conclusion - Response accepted.

II-C-08 Reconciliation of Advertisements - We noted during our audit that the District sells yearbook advertisements. However, there is not a reconciliation of sponsor payments to the actual published advertisements in the yearbook.

Recommendation - The District should implement procedures to reconcile sponsor payments to advertisements for the yearbook prior to publishing the yearbook. In addition, the yearbook advisor should turn the reconciliation into the central office for review and verification by central office staff. The reconciliation should be available at the time of audit.

Response - The District will implement procedures to reconcile sponsor payments to advertisements for the yearbook prior to publishing the yearbook. The reconciliation will be submitted to the business office for review and verification. This documentation will be retained at the business office to be made available at the time of audit.

Conclusion - Response accepted.

II-D-08 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). More specific examples of these instances of questioned items and recommendations are as follows:

Currently, donations from Target are recorded in the Student Recognition account in the Student Activity Fund. Target donations are considered an undesignated donation; therefore, they should be receipted into the General Fund for use as determined by the District's Board of Directors. The designation should be noted annually in the District's board minutes.

We noted that the Student Activity Fund had Lifetouch picture commissions receipted to it. The General Fund is the only allowable fund for commission revenue recognition. In the future, Lifetouch picture commissions should be receipted to the General Fund.

Donations given to a school should be expended according to donor request. According to information contained on the website for Box Tops, the donation can be used for items such as books, computers or playground equipment. Currently, the District records Box Top donations in the Student Activity Fund. Since the items listed for purchase with Box Top donations appear more instructional in nature, the most logical place to record these donations would be the General Fund.

The District's Student Activity Fund has a Class of 2007 and a Class of 2008 account. Upon graduation, the remaining balance in old class accounts should be redistributed to other individual activity fund accounts, used as start up funds for the next incoming class or transferred to another student activity fund account.

The District has an elementary activities account. Expenditures from this account included staff lunches, in service supplies, and instructional supplies. We also noted revenues and expenses for field trips that appeared to be instructional in nature. According to the definition of allowable Activity Fund expenditures mentioned above, it would appear that these expenditures would be more appropriate from the General Fund.

The District should review the properness of receipts and expenditures that are recorded in the Student Activity Fund. The District should also review procedures that are in place in regards to the Activity Fund and follow the suggested recommendations to gain compliance and better internal controls.

Response -The District will review all Activity Fund accounts and implement procedures to ensure that audit recommendations and Department of Education administrative rules are followed so that Student Activity Fund revenues are used only to support appropriate cocurricular activities and not activities better recorded to another fund.

Conclusion - Response accepted.

II-E-08 Money for Students at Sporting Events - We noted during our audit of the Student Activity Fund that the District issued a check to a coach to pay for student meals at a state event. At the conclusion of the event, there were no receipts, supporting documentation of students that received money or leftover money turned in the office staff.

Recommendation - The District should document who receives cash when going on trips. The District should have a list of who received the cash and the amount. The students should sign off upon receiving cash for the trip. The District should review procedures in place and implement controls to ensure documentation is gathered to support the check written for cash needed for the trip.

Response - The District will implement procedures whereby checks written for cash needed for trips will be rare and whereby proper documentation acquired and maintained regarding the cash. At minimum, students will sign off on a list showing the date, amount received by them and the purpose.

Conclusion - Response accepted.

II-F-08 Payroll Procedures - We noted during our audit that District employees were being paid from the Student Activity Fund as sponsors for fundraising activities for the Middle School. However, when employees were paid, the additional compensation was not included on the employee's W-2.

Recommendation - The District should review procedures in regards to payroll. All compensation earned by District employees should be included on their W-2's so that appropriate payroll taxes are deducted.

Response - All earned income for District employees will be paid through the payroll system so that all wages will be subjected to the appropriate payroll taxes.

Conclusion - Response accepted.

II-G-08 Supporting Documents for Payments to Officials - We noted during the audit that payments were made to athletic officials from the Student Activity fund, however, there were not always copies of the contracts with the paid bills.

Recommendation - Pursuant to a valid contractual agreement between the school board and the officials, which includes terms and conditions for payment and compliance with Chapters 279.29 and 279.30 of the Code of Iowa, officials could be paid after the service has been rendered. For non-contract officials or substitute officials, payment should be made after services have been rendered and audited and allowed similar to other vendor payments. The district should have a policy and (athletic) officials should be informed that payment will be made in this manner unless a valid contract exists. Copies of the signed contracts should be supplied to the accounting staff before checks are issued. The signed contract should then be kept with the paid bills.

Response - Copies of official contracts will be forwarded to the business office and filed with paid bills. Policy will be updated to reflect the same.

Conclusion - Response accepted.

II-H-08 Agency Fund - During our audit we noted the District utilizes an Agency Fund. According to Chapter 9 of the LEA Administrative Manual, "Agency funds are used to account for assets received and held as an agent for individuals, private organizations, or other governments. Agency Funds could include money collected for another government, a grant consortium when the District serves as fiscal agent for the other districts but has no managerial responsibilities, and funds for a teacher or a parent-teacher

organization which has its own Federal Identification Number. The District acts as a custodian of the assets and not an owner. Agency Funds may be created when an organization which is related to the operation of the District places certain assets into the custody of the District. The District renders a service, as custodian, for the organization providing the assets. Agency funds typically involve only the receipt, temporary investment and remittance of assets to their rightful owners. Moneys owned by the District would not be accounted for in the Agency Fund”.

The District appears to be improperly accounting for District funds as agency accounts.

Recommendation - Management should review each account identified in the agency fund and determine the most appropriate place to record the transactions. As stated above, the agency fund is created by the District to act as an ‘agent’ for non District accounts. The District may not arbitrarily choose which funds are placed into an agency account; based on convenience, amount, or sponsor preference. Monies accounted for in the Agency Fund should be the property of an entity that has its own federal identification number and would be considered a legally separate entity. If the accounts that are currently in the Agency Fund are truly District funds, the transactions should be recorded in the most appropriate fund where standard District policies and procedures should be followed.

It would appear that each of the accounts recorded in the Agency Fund are in fact District funds, which should be subject to the same level of accounting as any other transactions currently recorded in the District’s records. The District needs to evaluate each account currently maintained in the Agency Fund and determine that account’s validity as an Agency account.

As an example, currently the Agency Fund has a Swift Scholarship account and a Student Scholarship account. Revenues and expenses for these accounts are for the purpose of giving scholarships to students. Since these revenues and expenses are that of the District, the most appropriate place to account for these transactions would be the Private Purpose Trust Fund.

As another example, it appears that the administration building and the high school maintains an account within the Agency Fund. The revenues recorded in these accounts are derived from vending sales from District pop machines. Expenses from these accounts include beverages and meals for staff meetings. Clearly the profit from the sales of District’s pop machines is the District’s profit and should be recorded as revenue in the District’s General Fund. The expenditures for staff meetings may not be appropriate and should be identified as to the public purpose served when approving and paying these types of bills.

As previously mentioned the District should review each Agency Fund account individually and then make necessary transfers to the funds that are most appropriate. The District should also review Chapter 9 of the LEA Administrative Manual to identify the most appropriate placement for these account transactions. The District should refrain from utilizing the Agency Fund for accounts that are not true agent relationships.

Response - The District will review each Agency Fund account and make necessary transfers to the funds that are the most appropriate. The District will limit Agency Fund accounts to those that are true agent relationships.

Conclusion - Response accepted.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

CFDA Number 10.553: School Breakfast Program and
CFDA Number 10.555: National School Lunch Program
Federal Award Year: 2008
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.041: Impact Aid Grant
Federal Award Year: 2008
U.S. Department of Education

III-A-08 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COST
YEAR ENDED JUNE 30, 2008

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-08 Certified Budget - District disbursements for the year ended June 30, 2008, did not exceed the amount budgeted.

IV-B-08 Questionable Disbursements - We noted during our audit that the District wrote checks or gave cash to individual students from the Student Activity Fund. These checks were subsequently cashed to purchase gift certificates/cards that were given to students as incentive prizes. Giving cash or gift certificates/cards to students as incentives do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place, and make necessary adjustments to comply.

Response - The District will review procedures in place and make necessary adjustments to comply.

Conclusion - Response accepted.

IV-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

We noted during our audit that according to District board policy 402.72 employees are to be reimbursed mileage at the rate of 25¢ per mile; however, the District is reimbursing employees at the rate of 44.5¢ per mile.

The District has a policy 803.25 in effect for the use of District issued credit cards by employees for necessary expenses incurred while on District business. The policy states what expenses are allowable, from whom to obtain a card and how to use the card. However, we noted that the policy does not address consequences to employees that do not turn in detailed documentation of the purchase to District officials. Detailed documentation needs to be required by District officials to determine with certainty that all aspects of purchases made with District credit cards are truly expenses of the District.

Recommendation - The District needs to reimburse employees at the current rate per mile stated in board policy 402.72. The board can elect to review the policy and adopt a new policy. Changes to policies need to be explained and disseminated to employees.

The District should review policy 803.25 and should model a new policy after the sample policy that can be obtained from IASB. The sample policy in part states that if detailed documentation is not submitted by employees that use District issued credit cards, that the expense will become the employees' and not the District's.

Response - The District will review policy 402.72 (mileage) and adopt a new policy. Once the new policy is formulated, we will explain and disseminate to employees.

The District will review policy 803.25 and model it after IASB's sample policy so that employees not submitting documentation of expenses when using credit cards will incur such expenses personally.

Conclusion - Response accepted.

- IV-D-08 Business Transactions - No business transactions between the District and District officials were noted.
- IV-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-08 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- IV-H-08 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- IV-I-08 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-J-08 Financial Condition - The Enterprise, School Nutrition Fund had a deficit unrestricted net asset balance of \$1,221 at June 30, 2008.

Recommendation - The District should continue to monitor this fund and investigate alternatives to eliminate the deficit.

Response - The District will continue to monitor this fund and find a way to eliminate the deficit.

Conclusion - Response accepted.

- IV-K-08 Officiating Contracts - We noted during our audit that the Athletic Director was signing Activity Fund officiating contracts. According to 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts the District enters into.

Response - The Board President will sign all contracts entered into by the District.

Conclusion - Response accepted.